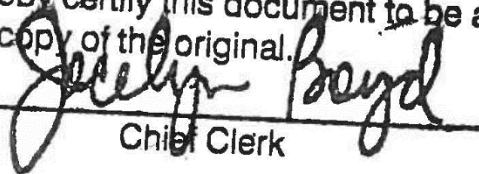


## HEARING EXHIBIT NO. 7

(Merits Hearing of 4/3-4/2018)

In the matter of Docket No. 2017-292-WS:  
Application of Carolina Water Service, Incorporated,  
for Approval of an Increase in Its Rates  
for Water and Sewer Services

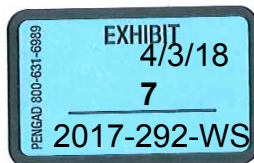
I hereby certify this document to be a  
true copy of the original.

  
\_\_\_\_\_  
Chief Clerk

Date 8/30/18



Carolina Water Service, Inc. - Consolidated  
Combined Operations  
August 31, 2017



Hunter - Exhibit A  
Page 1 of 4

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<b>Operating Revenues</b>					
Service Revenues - Water	\$ 10,351,801	\$ 445,276 [a]	\$ 10,797,077	\$ 1,124,206 [k]	\$ 11,921,282
Service Revenues - Sewer	10,602,605	(1,660,950) [a] [q]	8,941,655	1,197,469 [k]	10,139,125
Miscellaneous Revenues	474,882	17,441 [q]	492,323	35,576 [j]	527,899
Uncollectible Accounts	(309,649)	15,394 [b] [q]	~ 1, (294,255)	(53,292)	(347,547)
<b>Total Operating Revenues</b>	<b>\$ 21,119,639</b>	<b>\$ (1,182,839)</b>	<b>\$ 19,936,800</b>	<b>\$ 2,303,959</b>	<b>\$ 22,240,759</b>
<b>Maintenance Expenses</b>					
Salaries and Wages	\$ 2,565,425	\$ 134,298 [c] [q]	\$ 2,699,723	\$ -	\$ 2,699,723
Capitalized Time	(525,777)	(15,911) [c] [q]	(541,688)	-	(541,688)
Purchased Power	895,192	(75,032) [q]	820,160	-	820,160
Purchased Sewer & Water- Pass Through	3,313,015	614,900 [p]	3,927,915	-	3,927,915
Maintenance and Repair	2,232,236	(32,474) [o] [q]	2,199,762	-	2,199,762
Maintenance Testing	265,450	(8,831) [q]	256,619	-	256,619
Meter Reading	110,205	(25) [q]	110,180	-	110,180
Chemicals	487,720	(87,780) [q]	399,940	-	399,940
Transportation	206,630	(1,065) [m] [q]	205,565	-	205,565
Operating Exp. Charged to Plant	-	-	-	-	-
<b>Total</b>	<b>\$ 9,550,095</b>	<b>\$ 528,080</b>	<b>\$ 10,078,175</b>	<b>\$ -</b>	<b>\$ 10,078,175</b>
<b>General Expenses</b>					
Salaries and Wages	\$ 700,280	\$ (72,820) [c]	\$ 627,460	\$ -	\$ 627,460
Office Supplies & Other Office Exp.	416,692	(112,584) [j] [q]	304,108	-	304,108
Regulatory Commission Exp.	318,145	(229,367) [d] [q]	88,778	-	88,778
Pension & Other Benefits	763,625	55,633 [c] [q]	819,258	-	819,258
Rent	25,580	(178) [q]	25,402	-	25,402
Insurance	312,962	(20,955) [q]	292,007	-	292,007
Office Utilities	599,990	(59,574) [q]	540,417	-	540,417
Outside Services - Other	281,034	(8,435) [q]	272,599	-	272,599
Non-Utility Misc Income	-	-	-	-	-
Miscellaneous	34,173	(114,681) [q]	(80,508)	-	(80,508)
<b>Total</b>	<b>\$ 3,452,482</b>	<b>\$ (562,961)</b>	<b>\$ 2,889,521</b>	<b>\$ -</b>	<b>\$ 2,889,521</b>
<b>Depreciation</b>	<b>\$ 1,717,514</b>	<b>\$ (83,079) [e] [q]</b>	<b>\$ 1,634,435</b>	<b>\$ -</b>	<b>\$ 1,634,435</b>
Amortization of CIAC	(416,355)	10,505 [e] [q]	(405,850)	-	(405,850)
Taxes Other Than Income	2,925,145	101,851 [f] [q]	3,026,996	12,170 [f]	3,039,166
Income Taxes - Federal	1,074,691	(870,404) [g] [q]	204,287	457,211 [g]	661,498
Income Taxes - State	177,733	(126,533) [g] [q]	51,200	114,589 [g]	165,789
Sale of Utility Property	(29,323)	29,323 [o]	-	-	-
Amort. Investment Tax Credit	(8,853)	-	(8,853)	-	(8,853)
Amortization of PAA	(17,128)	1,756	(15,373)	-	(15,373)
<b>Total</b>	<b>\$ 5,423,424</b>	<b>\$ (93,581)</b>	<b>\$ 5,329,843</b>	<b>\$ 583,970</b>	<b>\$ 5,913,813</b>
<b>Total Operating Expenses</b>	<b>\$ 18,426,002</b>	<b>\$ (971,462)</b>	<b>\$ 17,454,540</b>	<b>\$ 583,970</b>	<b>\$ 18,038,510</b>
<b>Net Operating Income</b>	<b>\$ 2,693,638</b>	<b>\$ (211,377)</b>	<b>\$ 2,482,260</b>	<b>\$ 1,719,989</b>	<b>\$ 4,202,249</b>
Interest During Construction	\$ (89,608)	\$ 89,608 [h]	\$ -	\$ -	\$ -
Customer Growth	\$ -	\$ (24,285)	\$ (24,285)	\$ (37,984)	\$ (62,269)
Interest on Debt	1,752,211	(38,456) [i] [q]	1,713,755	-	1,713,755
<b>Net Income</b>	<b>\$ 1,031,034</b>	<b>\$ (238,244)</b>	<b>\$ 792,790</b>	<b>\$ 1,757,973</b>	<b>\$ 2,550,763</b>

**Carolina Water Service, Inc. - Consolidated  
Water Operations  
August 31, 2017**

**Hunter - Exhibit A  
Page 2 of 4**

	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase		Pro Forma Proposed
<b>Operating Revenues</b>							
Service Revenues - Water	\$ 10,351,801	\$ 445,276 [a]		\$ 10,797,077	\$ 1,124,206 [k]		\$11,921,282
Service Revenues - Sewer	-	-		-	-		-
Miscellaneous Revenues	165,872	63,891		229,763	13,882		243,645
Uncollectible Accounts	(172,434)	(6,474) [b]		(178,908)	(45,592) [l]		(224,500)
<b>Total Operating Revenues</b>	<b>\$ 10,345,239</b>	<b>\$ 502,693</b>		<b>\$ 10,847,932</b>	<b>\$ 1,092,496</b>		<b>\$ 11,940,427</b>
<b>Maintenance Expenses</b>							
Salaries and Wages	\$ 1,340,213	\$ 246,592 [c]		\$ 1,586,805	\$ -		\$ 1,586,805
Capitalized Time	(273,922)	(37,732) [c]		(311,654)	-		(311,654)
Purchased Power	272,514	-		272,514	-		272,514
Purchased Water - Pass Through	2,282,828	614,940 [p]		2,897,768	-		2,897,768
Maintenance and Repair	631,558	199,134 [o]		830,692	-		830,692
Maintenance Testing	139,081	-		139,081	-		139,081
Meter Reading	71,797	-		71,797	-		71,797
Chemicals	216,553	-		216,553	-		216,553
Transportation	109,878	(556) [m]		109,322	-		109,322
Operating Exp. Charged to Plant	-	-		-	-		-
<b>Total</b>	<b>\$ 4,790,501</b>	<b>\$ 1,022,378</b>		<b>\$ 5,812,879</b>	<b>\$ -</b>		<b>\$ 5,812,879</b>
<b>General Expenses</b>							
Salaries and Wages	\$ 371,703	(8,973) [c]		\$ 362,730	\$ -		\$ 362,730
Office Supplies & Other Office Exp.	212,299	(4,004) [j]		208,294	-		208,294
Regulatory Commission Exp.	150,896	(103,059) [d]		47,837	-		47,837
Pension & Other Benefits	405,332	67,091 [c]		472,423	-		472,423
Rent	23,104	-		23,104	-		23,104
Insurance	166,123	-		166,123	-		166,123
Office Utilities	343,826	-		343,826	-		343,826
Outside Services	145,223	-		145,223	-		145,223
Non-Utility Misc Income	-	-		-	-		-
Miscellaneous	18,128	(60,644) [e]		(42,516)	-		(42,516)
<b>Total</b>	<b>\$ 1,836,632</b>	<b>\$ (109,589)</b>		<b>\$ 1,727,043</b>	<b>\$ -</b>		<b>\$ 1,727,043</b>
Depreciation	\$ 789,404	\$ 25,446 [e]		\$ 814,850	\$ -		\$ 814,850
Amortization of CIAC	\$ (160,531)	(11,363) [e]		(171,894)	-		(171,894)
Taxes Other Than Income	1,537,428	(83,667) [f]		1,453,761	5,893 [f]		1,459,654
Income Taxes - Federal	638,577	(551,075) [g]		87,502	216,777 [g]		304,279
Income Taxes - State	105,742	(83,811) [g]		21,931	54,330 [g]		76,260
Sale of Utility Property	(15,279)	15,279 [o]		-	-		-
Amort. Investment Tax Credit	(3,746)	-		(3,746)	-		(3,746)
Amortization of PAA	(11,940)	341		(11,599)	-		(11,599)
<b>Total</b>	<b>\$ 2,879,655</b>	<b>\$ (688,850)</b>		<b>\$ 2,190,805</b>	<b>\$ 276,999</b>		<b>\$ 2,467,804</b>
<b>Total Operating Expenses</b>	<b>\$ 9,506,788</b>	<b>\$ 223,939</b>		<b>\$ 9,730,727</b>	<b>\$ 276,999</b>		<b>\$ 10,007,726</b>
<b>Net Operating Income</b>	<b>\$ 838,451</b>	<b>\$ 278,754</b>		<b>\$ 1,117,205</b>	<b>\$ 815,496</b>		<b>\$ 1,932,701</b>
Interest During Construction	\$ (38,531)	\$ 38,531 [h]		\$ -	\$ -		\$ -
Customer Growth	\$ -	\$ (9,238)		\$ (9,238)	\$ (19,006)		\$ (28,244)
Interest on Debt	997,639	(209,606) [i]		788,033	-		788,033
<b>Net Income</b>	<b>\$ (120,658)</b>	<b>\$ 459,067</b>		<b>\$ 338,410</b>	<b>\$ 834,502</b>		<b>\$ 1,172,912</b>

**Carolina Water Service, Inc. - Consolidated  
Sewer Operations  
August 31, 2017**

**Hunter - Exhibit A  
Page 3 of 4**

	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<b>Operating Revenues</b>					
Service Revenues - Water	\$ -	\$ -	\$ -	\$ -	\$ -
Service Revenues - Sewer	10,602,605	(1,660,950) [a] [q]	8,941,655	1,197,469 [k]	10,139,125
Miscellaneous Revenues	309,010	(46,450) [q]	262,560	21,694	284,254
Uncollectible Accounts	(137,215)	21,868 [b] [q]	(115,347)	(7,700) [l]	(123,047)
<b>Total Operating Revenues</b>	<b>\$ 10,774,400</b>	<b>\$ (1,685,532)</b>	<b>\$ 9,088,868</b>	<b>\$ 1,211,463</b>	<b>\$ 10,300,332</b>
<b>Maintenance Expenses</b>					
Salaries and Wages	\$ 1,225,212	\$ (112,294) [c] [q]	\$ 1,112,918	\$ -	\$ 1,112,918
Capitalized Time	(251,855)	21,821 [c] [q]	(230,034)	-	(230,034)
Purchased Power	622,678	(75,032) [q]	547,646	-	547,646
Purchased Sewer	1,030,187	(40) [p]	1,030,147	-	1,030,147
Maintenance and Repair	1,600,678	(231,608) [o] [q]	1,369,070	-	1,369,070
Maintenance Testing	126,369	(8,831) [q]	117,538	-	117,538
Meter Reading	38,408	(25) [q]	38,383	-	38,383
Chemicals	271,166	(87,780) [q]	183,386	-	183,386
Transportation	96,751	(509) [m] [q]	96,242	-	96,242
Operating Exp. Charged to Plant	-	-	-	-	-
<b>Total</b>	<b>\$ 4,759,595</b>	<b>\$ (494,298)</b>	<b>\$ 4,265,297</b>	<b>\$ -</b>	<b>\$ 4,265,297</b>
<b>General Expenses</b>					
Salaries and Wages	\$ 328,577	(63,847) [c]	\$ 264,730	\$ -	\$ 264,730
Office Supplies & Other Office Exp.	204,394	(108,580) [i] [q]	95,814	-	95,814
Regulatory Commission Exp.	167,249	(126,308) [d] [q]	40,941	-	40,941
Pension & Other Benefits	358,293	(11,458) [c] [q]	346,835	-	346,835
Rent	2,476	(178) [q]	2,298	-	2,298
Insurance	146,840	(20,955) [q]	125,884	-	125,884
Office Utilities	256,165	(59,574) [q]	196,591	-	196,591
Outside Services	135,811	(8,435) [q]	127,376	-	127,376
Non-Utility Misc Income	-	-	-	-	-
Miscellaneous	16,045	(54,037) [q]	(37,992)	-	(37,992)
<b>Total</b>	<b>\$ 1,615,850</b>	<b>\$ (453,372)</b>	<b>\$ 1,162,478</b>	<b>\$ -</b>	<b>\$ 1,162,478</b>
Depreciation	\$ 928,110	\$ (108,525) [e] [q]	\$ 819,585	\$ -	\$ 819,585
Amortization of CIAC	(255,824)	21,868 [e] [q]	(233,956)	\$ -	(233,956)
Taxes Other Than Income	1,387,717	185,518 [f] [q]	1,573,235	6,277 [f]	1,579,512
Income Taxes - Federal	436,114	(319,329) [g] [q]	116,785	240,434 [g]	357,220
Income Taxes - State	71,991	(42,722) [g] [q]	29,269	60,259 [g]	89,529
Sale of Utility Property	(14,044)	14,044 [o]	-	-	-
Amort. Investment Tax Credit	(5,107)	-	(5,107)	-	(5,107)
Amortization of PAA	(5,189)	1,415	(3,774)	-	(3,774)
<b>Total</b>	<b>\$ 2,543,769</b>	<b>\$ (247,731)</b>	<b>\$ 2,296,038</b>	<b>\$ 306,971</b>	<b>\$ 2,603,009</b>
<b>Total Operating Expenses</b>	<b>\$ 8,919,214</b>	<b>\$ (1,195,401)</b>	<b>\$ 7,723,813</b>	<b>\$ 306,971</b>	<b>\$ 8,030,783</b>
<b>Net Operating Income</b>	<b>\$ 1,855,187</b>	<b>\$ (490,131)</b>	<b>\$ 1,365,056</b>	<b>\$ 904,493</b>	<b>\$ 2,269,548</b>
Interest During Construction	\$ (51,077)	\$ 51,077 [h]	\$ -	\$ -	\$ -
Customer Growth	\$ -	\$ (15,047)	\$ (15,047)	\$ (18,978)	\$ (34,025)
Interest on Debt	754,572	171,150 [i] [q]	925,722	-	925,722
<b>Net Income</b>	<b>\$ 1,151,692</b>	<b>\$ (697,311)</b>	<b>\$ 454,380</b>	<b>\$ 923,471</b>	<b>\$ 1,377,851</b>

**Carolina Water Service, Inc. - Consolidated  
Explanation of Adjustments to Income Statement**

**Hunter - Exhibit A  
Page 4 of 4**

- [a] Revenues are annualized to reflect year end customers at current rates.
- [b] Uncollectibles are adjusted at test year percentages for annualized revenues.
- [c] Salaries, wages and benefits are adjusted for annualization for employees working at or for Carolina Water Service, Inc., as of current.  
In addition, capitalized time has been adjusted to reflect current capitalized time rates for current employees.
- [d] Regulatory expense has been adjusted for the total estimated cost of this case and the unamortized portion of the prior case, amortized over three years.  
An adjustment to Regulatory Expense has been added to reflect the increase in cost due to amortization of legal costs deferred since prior case.
- [e] Depreciation and amortization are annualized at 1.5% on depreciable/amortizable assets/CIAC.  
Separate from these assets, depreciation has been calculated and included for computers, vehicles, and other allocated plant.
- [f] Taxes other than income are adjusted to annualize gross receipts, utility or commission taxes, and franchise taxes at present and proposed revenues. Taxes other than income also includes payroll taxes adjusted for the annualization of salaries.
- [g] Income taxes are computed on taxable income at current rates.
- [h] AFUDC is eliminated for rate making purposes.
- [i] Interest on debt has been computed using a 51.89%/48.11% equity/debt ratio and a 6.58% cost of debt.
- [j] Non-recoverable items have been removed.
- [k] Revenues are increased to reflect Carolina Water Service's requested incremental revenue adjustment.
- [l] Uncollectibles are adjusted at test year percentages for the requested incremental revenue adjustment.
- [m] Transportation expense has been adjusted to reflect the expense as allocated by driver.
- [n] Sale of Utility Property has been removed for ratemaking purposes.
- [o] Deferred Maintenance Expense has been adjusted to reflect current amortization costs.  
Adjustment made to include the annual amortization expense from the purchased water rate increase deferral asset approved in prior rate case.
- [p] Purchased Expense has been adjusted to reflect current expense. Increased expense due to rate increases from Providers has been deferred since last rate case, adjustment made to full invoiced amount.
- [q] Income Statement has been adjusted to reflect the removal of I-20 Waste-Water system from Carolina Water Service, Inc.

**Carolina Water Service, Inc. - Consolidated  
Combined Operations  
August 31, 2017**

**Hunter - Exhibit B  
Page 1 of 4**

	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase	Pro Forma Proposed
<b>Operating Revenues</b>						
Service Revenues - Water	\$ 10,351,801	\$ 445,276 [a]	\$	10,797,077	\$ 1,076,375 [k]	\$ 11,873,452
Service Revenues - Sewer	10,602,605	(1,660,950) [a] [q]		8,941,655	1,343,886 [k]	10,285,542
Miscellaneous Revenues	474,882	17,441 [q]		492,323	-	492,323
Uncollectible Accounts	(309,649)	15,394 [b] [q]		(294,255)	(53,292) [l]	(347,547)
<b>Total Operating Revenues</b>	<b>\$ 21,119,639</b>	<b>\$ (1,182,839)</b>		<b>\$ 19,936,800</b>	<b>\$ 2,366,969</b>	<b>\$ 22,303,769</b>
<b>Maintenance Expenses</b>						
Salaries and Wages	\$ 2,565,425	\$ 134,298 [c] [q]	\$	2,699,723	\$ -	\$ 2,699,723
Capitalized Time	(525,777)	(15,911) [c] [q]		(541,688)	-	(541,688)
Purchased Power	895,192	(75,032) [q]		820,160	-	820,160
Purchased Sewer & Water - Pass Through	3,313,015	614,900 [p]		3,927,915	-	3,927,915
Maintenance and Repair	2,232,236	96,653 [o] [q]		2,328,889	-	2,328,889
Maintenance Testing	265,450	(8,831) [q]		256,619	-	256,619
Meter Reading	110,205	(25) [q]		110,180	-	110,180
Chemicals	487,720	(87,780) [q]		399,940	-	399,940
Transportation	206,630	(1,065) [m] [q]		205,565	-	205,565
Operating Exp. Charged to Plant	-	-		-	-	-
<b>Total</b>	<b>\$ 9,550,095</b>	<b>\$ 657,207</b>		<b>\$ 10,207,303</b>	<b>\$ -</b>	<b>\$ 10,207,303</b>
<b>General Expenses</b>						
Salaries and Wages	\$ 700,280	\$ (72,820) [c]	\$	627,460	\$ -	\$ 627,460
Office Supplies & Other Office Exp.	416,692	(112,584) [j] [q]		304,108	-	304,108
Regulatory Commission Exp.	318,145	(200,736) [d] [q]		117,409	-	117,409
Pension & Other Benefits	763,625	55,633 [c] [q]		819,258	-	819,258
Rent	25,580	(178) [q]		25,402	-	25,402
Insurance	312,962	(20,955) [q]		292,007	-	292,007
Office Utilities	599,990	(59,574) [q]		540,417	-	540,417
Outside Services - Other	281,034	(8,435) [q]		272,599	-	272,599
Non-Utility Misc Income	-	-		-	-	-
Miscellaneous	34,173	(114,681) [q]		(80,508)	-	(80,508)
<b>Total</b>	<b>\$ 3,452,482</b>	<b>\$ (534,330)</b>		<b>\$ 2,918,152</b>	<b>\$ -</b>	<b>\$ 2,918,152</b>
Depreciation	\$ 1,717,514	\$ (83,079) [e] [q]	\$	1,634,435	\$ -	\$ 1,634,435
Amortization of CIAC	(416,355)	10,505 [e] [q]		(405,850)	-	(405,850)
Taxes Other Than Income	2,925,145	101,851 [f] [q]		3,026,996	12,686 [f]	3,039,683
Income Taxes - Federal	1,074,691	(870,404) [g] [q]		204,287	301,312 [g]	505,599
Income Taxes - State	177,733	(126,533) [g] [q]		51,200	109,826 [g]	161,026
Sale of Utility Property	(29,323)	29,323 [o]		-	-	-
Amort. Investment Tax Credit	(8,853)	-		(8,853)	-	(8,853)
Amortization of PAA	(17,128)	1,756		(15,373)	-	(15,373)
<b>Total</b>	<b>\$ 5,423,424</b>	<b>\$ (936,581)</b>		<b>\$ 4,486,843</b>	<b>\$ 423,824</b>	<b>\$ 4,910,667</b>
<b>Total Operating Expenses</b>	<b>\$ 18,426,002</b>	<b>\$ (813,704)</b>		<b>\$ 17,612,298</b>	<b>\$ 423,824</b>	<b>\$ 18,036,122</b>
<b>Net Operating Income</b>	<b>\$ 2,693,638</b>	<b>\$ (369,135)</b>		<b>\$ 2,324,502</b>	<b>\$ 1,943,146</b>	<b>\$ 4,267,648</b>
<b>Interest During Construction</b>	<b>\$ (89,608)</b>	<b>\$ 89,608 [h]</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Customer Growth</b>	<b>\$ -</b>	<b>\$ (24,285)</b>	<b>\$ (24,285)</b>	<b>\$ (37,984)</b>	<b>\$ (62,269)</b>	<b>\$ (62,269)</b>
<b>Interest on Debt</b>	<b>1,753,211</b>	<b>(38,456) [i] [q]</b>	<b>1,713,755</b>	<b>-</b>	<b>1,713,755</b>	<b>1,713,755</b>
<b>Net Income</b>	<b>\$ 1,031,034</b>	<b>\$ (396,002)</b>	<b>\$ 635,032</b>	<b>\$ 1,981,130</b>	<b>\$ 2,616,162</b>	<b>\$ 2,616,162</b>

Carolina Water Service, Inc. - Consolidated  
Water Operations  
August 31, 2017

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	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase		Pro Forma Proposed
<b>Operating Revenues</b>							
Service Revenues - Water	\$ 10,351,801	\$ 445,276 [a]		\$ 10,797,077	\$ 1,076,375 [k]		\$ 11,873,452
Service Revenues - Sewer	-	-		-	-		-
Miscellaneous Revenues	165,872	63,891		229,763	-		229,763
Uncollectible Accounts	(172,434)	(6,474) [b]		(178,908)	(45,592) [l]		(224,500)
<b>Total Operating Revenues</b>	<b>\$ 10,345,239</b>	<b>\$ 502,693</b>		<b>\$ 10,847,932</b>	<b>\$ 1,030,783</b>		<b>\$ 11,878,715</b>
<b>Maintenance Expenses</b>							
Salaries and Wages	\$ 1,340,213	\$ 246,592 [c]		\$ 1,586,805	\$ -		\$ 1,586,805
Capitalized Time	(273,922)	(37,732) [c]		(311,654)	-		(311,654)
Purchased Power	272,514	-		272,514	-		272,514
Purchased Water - Pass Through	2,282,828	614,940 [p]		2,897,768	-		2,897,768
Maintenance and Repair	631,558	231,369 [o]		862,927	-		862,927
Maintenance Testing	139,081	-		139,081	-		139,081
Meter Reading	71,797	-		71,797	-		71,797
Chemicals	216,553	-		216,553	-		216,553
Transportation	109,878	(556) [m]		109,322	-		109,322
Operating Exp. Charged to Plant	-	-		-	-		-
<b>Total</b>	<b>\$ 4,790,501</b>	<b>\$ 1,054,613</b>		<b>\$ 5,845,114</b>	<b>\$ -</b>		<b>\$ 5,845,114</b>
<b>General Expenses</b>							
Salaries and Wages	\$ 371,703	(8,973) [c]		\$ 362,730	\$ -		\$ 362,730
Office Supplies & Other Office Exp.	212,299	(4,004) [j]		208,294	-		208,294
Regulatory Commission Exp.	150,896	(95,662) [d]		55,233	-		55,233
Pension & Other Benefits	405,332	67,091 [c]		472,423	-		472,423
Rent	23,104	-		23,104	-		23,104
Insurance	166,123	-		166,123	-		166,123
Office Utilities	343,826	-		343,826	-		343,826
Outside Services	145,223	-		145,223	-		145,223
Non-Utility Misc Income	-	-		-	-		-
Miscellaneous	18,128	(60,644)		(42,516)	-		(42,516)
<b>Total</b>	<b>\$ 1,836,632</b>	<b>\$ (102,192)</b>		<b>\$ 1,734,440</b>	<b>\$ -</b>		<b>\$ 1,734,440</b>
Depreciation	\$ 789,404	\$ 25,446 [e]		\$ 814,850	\$ -		\$ 814,850
Amortization of CIAC	\$ (160,531)	(11,363) [e]		(171,894)	-		(171,894)
Taxes Other Than Income	1,537,428	(83,667) [f]		1,453,761	5,642 [f]		1,459,403
Income Taxes - Federal	638,577	(551,075) [g]		87,502	120,735 [g]		208,237
Income Taxes - State	105,742	(83,811) [g]		21,931	49,275 [g]		71,206
Sale of Utility Property	(15,279)	15,279 [o]		-	-		-
Amort. Investment Tax Credit	(3,746)	-		(3,746)	-		(3,746)
Amortization of PAA	(11,940)	341		(11,599)	-		(11,599)
<b>Total</b>	<b>\$ 2,879,655</b>	<b>\$ (688,850)</b>		<b>\$ 2,190,805</b>	<b>\$ 175,652</b>		<b>\$ 2,366,457</b>
<b>Total Operating Expenses</b>	<b>\$ 9,506,788</b>	<b>\$ 263,571</b>		<b>\$ 9,770,359</b>	<b>\$ 175,652</b>		<b>\$ 9,946,011</b>
<b>Net Operating Income</b>	<b>\$ 838,451</b>	<b>\$ 239,122</b>		<b>\$ 1,077,573</b>	<b>\$ 855,131</b>		<b>\$ 1,932,704</b>
Interest During Construction	\$ (38,531)	\$ 38,531 [b]		\$ -	\$ -		\$ -
Customer Growth	\$ -	\$ (9,238)		\$ (9,238)	\$ (19,006)		\$ (28,244)
Interest on Debt	997,639	(209,606) [i]		788,033	-		788,033
<b>Net Income</b>	<b>\$ (120,658)</b>	<b>\$ 419,436</b>		<b>\$ 298,778</b>	<b>\$ 187,413</b>		<b>\$ 1,172,915</b>

**Carolina Water Service, Inc. - Consolidated  
Sewer Operations  
August 31, 2017**

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	Per Books	Pro Forma Adjustments	Pro Forma Present	Proposed Increase	Pro Forma Proposed
<b>Operating Revenues</b>					
Service Revenues - Water	\$ -	\$ -	\$ -	\$ -	\$ -
Service Revenues - Sewer	10,602,605	(1,660,950) [a] [q]	8,941,655	1,343,886 [k]	10,285,542
Miscellaneous Revenues	309,010	(46,450) [q]	262,560	-	262,560
Uncollectible Accounts	(137,215)	21,868 [b] [q]	(115,347)	(7,700) [l]	(123,047)
<b>Total Operating Revenues</b>	<b>\$ 10,774,400</b>	<b>\$ (1,685,532)</b>	<b>\$ 9,088,868</b>	<b>\$ 1,336,186</b>	<b>\$ 10,425,055</b>
<b>Maintenance Expenses</b>					
Salaries and Wages	\$ 1,225,212	\$ (112,294) [c] [q]	\$ 1,112,918	\$ -	\$ 1,112,918
Capitalized Time	(251,855)	21,821 [c] [q]	(230,034)	-	(230,034)
Purchased Power	622,678	(75,032) [q]	547,646	-	547,646
Purchased Sewer	1,030,187	(40) [p]	1,030,147	-	1,030,147
Maintenance and Repair	1,600,678	(134,716) [o] [q]	1,465,962	-	1,465,962
Maintenance Testing	126,369	(8,831) [q]	117,538	-	117,538
Meter Reading	38,408	(25) [q]	38,383	-	38,383
Chemicals	271,166	(87,780) [q]	183,386	-	183,386
Transportation	96,751	(509) [m] [q]	96,242	-	96,242
Operating Exp. Charged to Plant	-	-	-	-	-
<b>Total</b>	<b>\$ 4,759,595</b>	<b>\$ (397,406)</b>	<b>\$ 4,362,189</b>	<b>\$ -</b>	<b>\$ 4,362,189</b>
<b>General Expenses</b>					
Salaries and Wages	\$ 328,577	(63,847) [c]	\$ 264,730	\$ -	\$ 264,730
Office Supplies & Other Office Exp.	204,394	(108,580) [j] [q]	95,814	-	95,814
Regulatory Commission Exp.	167,249	(105,074) [d] [q]	62,175	-	62,175
Pension & Other Benefits	358,293	(11,458) [c] [q]	346,835	-	346,835
Rent	2,476	(178) [q]	2,298	-	2,298
Insurance	146,840	(20,955) [q]	125,884	-	125,884
Office Utilities	256,165	(59,574) [q]	196,591	-	196,591
Outside Services	135,811	(8,435) [q]	127,376	-	127,376
Non-Utility Misc Income	-	-	-	-	-
Miscellaneous	16,045	(54,037) [q]	(37,992)	-	(37,992)
<b>Total</b>	<b>\$ 1,615,850</b>	<b>\$ (432,137)</b>	<b>\$ 1,183,713</b>	<b>\$ -</b>	<b>\$ 1,183,713</b>
Depreciation	\$ 928,110	\$ (108,525) [e] [q]	\$ 819,585	\$ -	\$ 819,585
Amortization of CIAC	(255,824)	21,868 [e] [q]	(233,956)	-	(233,956)
Taxes Other Than Income	1,387,717	185,518 [f] [q]	1,573,235	7,044 [f]	1,580,279
Income Taxes - Federal	436,114	(319,329) [g] [q]	116,785	180,577 [g]	297,362
Income Taxes - State	71,991	(42,722) [g] [q]	29,269	60,551 [g]	89,820
Sale of Utility Property	(14,044)	14,044 [o]	-	-	-
Amort. Investment Tax Credit	(5,107)	-	(5,107)	-	(5,107)
Amortization of PAA	(5,189)	1,415	(3,774)	-	(3,774)
<b>Total</b>	<b>\$ 2,543,769</b>	<b>\$ (247,731)</b>	<b>\$ 2,296,038</b>	<b>\$ 248,172</b>	<b>\$ 2,544,210</b>
<b>Total Operating Expenses</b>	<b>\$ 8,919,214</b>	<b>\$ (1,077,274)</b>	<b>\$ 7,841,939</b>	<b>\$ 248,172</b>	<b>\$ 8,090,111</b>
<b>Net Operating Income</b>	<b>\$ 1,855,187</b>	<b>\$ (608,258)</b>	<b>\$ 1,246,929</b>	<b>\$ 1,088,014</b>	<b>\$ 2,334,944</b>
Interest During Construction	\$ (51,077)	\$ 51,077 [h]	\$ -	\$ -	\$ -
Customer Growth	-	(15,047) [i] [q]	(15,047)	(18,978)	(34,025)
Interest on Debt	754,572	171,150	925,722	-	925,722
<b>Net Income</b>	<b>\$ 1,511,692</b>	<b>\$ (815,438)</b>	<b>\$ 336,254</b>	<b>\$ 1,069,036</b>	<b>\$ 1,443,246</b>



- [a] Revenues are annualized to reflect year end customers at current rates.
- [b] Uncollectibles are adjusted at test year percentages for annualized revenues.
- [c] Salaries, wages and benefits are adjusted for annualization for employees working at or for Carolina Water Service, Inc., as of current. In addition, capitalized time has been adjusted to reflect current capitalized time rates for current employees.
- [d] Regulatory expense has been adjusted for the total estimated cost of this case and the unamortized portion of the prior case, amortized over three years. An adjustment to Regulatory Expense has been added to reflect the increase in cost due to amortization of legal costs deferred since prior case.
- [e] Depreciation and amortization are annualized at 1.5% on depreciable/amortizable assets/CIAC. Separate from these assets, depreciation has been calculated and included for computers, vehicles, and other allocated plant.
- [f] Taxes other than income are adjusted to annualize gross receipts, utility or commission taxes, and franchise taxes at present and proposed revenues. Taxes other than income also includes payroll taxes adjusted for the annualization of salaries.
- [g] Income taxes are computed on taxable income at current rates.
- [h] AFUDC is eliminated for rate making purposes.
- [i] Interest on debt has been computed using a 51.89%/48.11% equity/debt ratio and a 6.58% cost of debt.
- [j] Non-recoverable items have been removed.
- [k] Revenues are increased to reflect Carolina Water Service's requested incremental revenue adjustment.
- [l] Uncollectibles are adjusted at test year percentages for the requested incremental revenue adjustment.
- [m] Transportation expense has been adjusted to reflect the expense as allocated by driver.
- [n] Sale of Utility Property has been removed for ratemaking purposes.
- [o] Deferred Maintenance Expense has been adjusted to reflect current amortization costs. Adjustment made to include the annual amortization expense from the purchased water rate increase deferral asset approved in prior rate case.
- [p] Purchased Expense has been adjusted to reflect current expense. Increased expense due to rate increases from Providers has been deferred since last rate case, adjustment made to full invoiced amount.
- [q] Income Statement has been adjusted to reflect the removal of I-20 Waste-Water system from Carolina Water Service, Inc.